

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 886 - SB 1140

February 27, 2023

SUMMARY OF BILL: Extends Public Chapter 1082 of 2022 indefinitely, which authorizes all dealers, when reporting and remitting sales taxes to the Department of Revenue, to retain a certain portion of such state taxes in order to compensate for costs incurred in accounting for and remitting such taxes, during the period of time beginning July 1, 2022, and ending June 30, 2023. Limits the deduction to a maximum of \$25 per report. Requires an amount equal to the excess of the amount calculated by the formula provided under current law, over and above the \$25 limit, to be deposited in the General Fund.

Extends the deduction to Model 1 sellers. Specifies that the limitation does not apply to returns filed by any out-of-state person making sales in Tennessee who cannot be required to register for sales and use tax under applicable law, but who nevertheless voluntarily registers to collect and remit use tax on items of tangible personal property sold to Tennessee customers. Deletes the authorization for monetary allowances to be provided to certified service providers and volunteer sellers.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue -

\$2,814,500/FY23-24 and Subsequent Years/General Fund
\$1,159,000/FY23-24 and Subsequent Years/Sinking Fund
\$463,900/FY23-24 and Subsequent Years/DOR

Decrease Local Revenue - \$5,806,100/FY23-24 and Subsequent Years

Assumptions:

- Based on information provided by the Department of Revenue (DOR):
 - The recurring decrease in collections extending the current provisions is estimated to be \$14,200,310 in FY23-24 and subsequent years;
 - The recurring decrease in collections as a result of allowing Model 1 sellers to receive a deduction is estimated to be \$461,501 in FY23-24 and subsequent years;
 - The annual allowance currently provided to certified service providers that will no longer be provided is estimated to be \$4,389,312 in FY23-24 and subsequent years; and

- Requiring an amount equal to the excess of the amount calculated by the formula provided under current law, over and above the \$25 limit, to be deposited in the General Fund will result in a decrease in state shared local revenue and corresponding increase in revenue to the General Fund of \$5,806,135 in FY23-24 and subsequent years.
- The total net decrease in state revenue is estimated to be \$4,466,364 (\$14,200,310 + \$461,501 - \$4,389,312 - \$5,806,135) in FY23-24 and subsequent years.
- Reallocation of additional funds will result in a decrease in state revenue to the Sinking Fund and corresponding increase to the General Fund estimated to be \$1,158,980 in FY23-24 and subsequent years; and a decrease in state revenue going to DOR and corresponding increase the General Fund estimated to be \$462,913 in FY23-24 and subsequent years.
- The total net decrease in state revenue to the General Fund is estimated to be \$2,814,471 (\$4,466,364 - \$1,158,980 - \$462,913).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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